

Midwest Farmowner

News & Information from Soy Capital Ag Services

Soy Capital's Agronomic Research Provides Crucial Information

Accurate and unbiased information is crucial in good decision-making for farm operators, especially with the pace of new seed variety, trait and treatment introductions. To aid in the process, Soy Capital Ag Services conducts extensive field research that provides farm managers and operators with unbiased, third party information.

“Seed is a vehicle to implement new technology in agriculture,” says John Croft, farm and agronomic manager for Soy Capital Ag Services. “As changes occur rapidly, our extensive agronomic research has proven its benefit to farm operators and owners.”

Soy Capital enlists the help of several farm operators from around the state to plant seed research plots, including Chris Zimmerman, Harvel, Ill. “I test to see some differences and trends,” he says. “You can't look at just who wins. I like to look at my plot and what looks good in Soy Capital's other plots.”

Zimmerman and other farm operators who cooperate with Soy Capital plant strip plots, which use “a check” after every four varieties. The system shows any variation in the field and makes possible “an adjustment” for variations in the field. Soy Capital also tests in replicated plots, where each variety is planted three times within a small area. Replications offer another system for producing a good comparison of varieties.

“You don't realize how much work it is until you do it. It is nice to have Soy Capital bring everything together,” says Jim Ondeck,

who recorded on a video camera the operations for his corn and soybean demonstration plot near Towanda, Ill. “This is something I can do for others while getting information on the land I farm.”

Soy Capital's November Agronomic Research Summary can be found in the *Illinois* and *Indiana AgriNews* newspapers. Results are reported from north central and south central Illinois and from west central and eastern Indiana. A summary of all entries is included in the insert. Tests show corn-on-corn, corn following soybeans, refuge corn, GMO soybean and conventional soybean results. The 2010 yield results also are found at www.soycapitalag.com under agronomic research plot results.

Soy Capital thanks all farmers who have been part of the program over the years. The 2010

strip plot cooperators and farm locations were: Jeff Hopkins, Watseka; Larry Troyer, Normal; Gene Cunningham, Minonk; Larry Moore, Roseville; John & Bill Yates, New Berlin; Chris Zimmerman, Harvel; Sam Brandenburg, Cisco; Illinois State University Research Farm, Lexington; Bob Wieland, Duncan; Steve and Brian O'Rourke, Downs; Carlos Meiss, Fairbury; Bruce Klein, Lexington; Doug Thompson, Atlanta, and Jim Ondeck, Towanda. MF



Jim Ondeck, Towanda, Ill., Soy Capital farm cooperator



Chris Zimmerman, Harvel, Ill., Soy Capital farm cooperator

Inside: Soy Capital Farm Managers Capitalize on Strong Crop Markets

Soy Capital Ag Services Capitalizes on Strong Grain Markets

Very volatile grain markets are projected through next spring, which has been providing Soy Capital Ag Services farm managers with the opportunity to capitalize on strong corn and soybean prices for Midwest landowners.

“We have been moving up our grain sales on farms where we have a handle on each farm’s actual production,” noted Jim Flanigan from Soy Capital’s Decatur office as harvest was fully underway last month. “We have been moving toward being at least 60 percent sold. Since the middle of August, the corn and soybean markets have been very strong. This is very unusual for us to have a market rally during harvest. And even if grain markets continue going up, harvest prices have been too good to pass up.”

Flanigan says Illinois’ crop harvest was completed very quickly and earlier than usual. Much of the crop had been harvested by October 1, following an early planting season and a hot, dry stretch of weather from the middle of July through August.

“The market in early July was expecting we would harvest large corn and soybean crops in the Midwest. As it turns out, the corn crop was disappointing in many areas due to too much rain in May and June, followed by too much heat and not enough rain in July and August,” says Flanigan. “The soybean crop, though, turned out to be much better than expected in many places. Some farms experienced record soybean yields.”

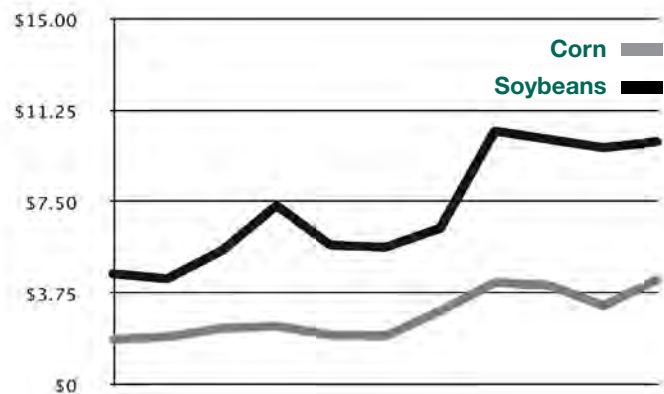
USDA in its October report lowered the 2010 national corn yield estimate from 162.5 bushels per acre to 155.8 bushels per acre.

USDA also lowered the national soybean yield estimate from 44.7 bushels to 44.4 bushels per acre.

“The figures confirmed what we were seeing at the time. Speculation is that final corn yields will probably drop more and soybean yields may increase,” he says. “Price volatility will continue to hinge on such factors as drought concerns in Russia and Europe and strong Chinese demand for grain. The decline in the value of the dollar is also helping our markets. Going forward, we will watch concerns that a ‘LaNina’ weather pattern in South America may cause dry weather for their growing season.”

Have questions? Contact Flanigan at 217-421-9614 or jflanigan@soybank.com. MF

Corn and Soybean Average Farm Prices 2000-2010



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Corn	\$ 1.85	\$ 1.97	\$ 2.32	\$ 2.42	\$ 2.06	\$ 2.00	\$ 3.04	\$ 4.20	\$ 4.06	\$ 3.25	\$ 4.34
Soybeans	\$ 4.54	\$ 4.38	\$ 5.53	\$ 7.34	\$ 5.74	\$ 5.66	\$ 6.43	\$ 10.40	\$ 10.10	\$ 9.75	\$ 9.94

Arizona Couple Leaves Farm Management in Soy Capital’s Hands

Harry and Frances Schwarz don’t live near the farmland they own, but Harry says that works out fine. The Mesa, Ariz., retired couple, previously from the Peoria, Ill., area, leaves all of the management decisions in Soy Capital Ag Services’ hands.

“Doug Fehr in Soy Capital’s Peoria office does a magnificent job managing the farms,” says Harry. “Doug is always above area averages in terms of production.”

The Schwarz’s have 525 acres in three separate farms near Roseville, Ill. The land has been with Soy Capital and its predecessors for decades. Harry and Frances have had one farm their entire 63-year marriage and others were additional land purchases.

“I have worked with the Schwarz’s as long as I have been managing farms, which is 37 years,” says Fehr. “I believe the original farm goes back several generations.”

The property has two tenants, including one who grew up on the farm that he operates just as his father did. The other tenant has assisted Soy Capital by planting test plots on the farm. Soy Capital is the successor trustee on all of the properties.

“Soy Capital has done an excellent job for us. I would say that other landowners who do not have an active role in their farm would find them a good choice,” says Harry. MF

Farmland Strength Expected to Continue in 2011

Owning farmland should be a wise investment into the foreseeable future,” states David Klein, Soy Capital Ag Services vice president and managing broker. “Many factors continue to support land values at current price levels, and increases are possible.”

Klein singles out a few reasons to expect continued strength:

- Higher corn, soybean and wheat returns are expected in 2011, due to higher commodity prices.
- Continued low interest rates provide a lack of alternative investments and excellent borrowing opportunities to finance all aspects of agriculture.
- The value of the U.S. dollar remains low, which helps commodity export demand.
- Uncertainty in other industries provides investor interest in a stable asset class like farmland to act as a diversifier for large investment portfolios.
- Prospects exist of possible inflation, and farmland has an historical record of being a good hedge against inflation.
- Alternative uses for farmland, such as wind energy, add not only diversification of income, but higher returns for the amount of land used.

- The capital gains tax increase will cause more land to be held, rather than sold without reinvestment. In 2011, any seller will automatically need a higher price for land just to break even with 2010's value, due to tax law changes. The tax rate increase will also trigger more 1031 exchange activity when the general economy picks up. Such action not only reduces supply, but also increases demand.

“Few threats exist for productive row crop farmland values at this time,” says Klein. “However rising interest rates or increasing value of the dollar could change monetary dynamics that relate to agriculture. If grain prices get too high, it could cut demand. Uses such as ethanol can shut down immediately. Livestock production cannot.”

“The biggest uncertainty could come if Congress fails to address estate taxes,” he continues (see related story). “If the exemption does not get raised above \$1 million, we would definitely see a rise in forced sales by farm family estates to pay estate taxes.”

Soy Capital Ag Services sells and helps investors buy farmland across Illinois. Feel free to contact Klein at 309-665-0961 or dklein@soybank.com if you have further interest in discussing farmland values. **MF**

Soy Capital Stays on Top of Potential Estate Tax Changes

If you own farmland, have an estate worth more than \$1 million or have inherited property from someone who died in 2010, Soy Capital advises that you stay in touch with your financial advisor as complex estate tax issues continue to unfold.

“Ideally, conversations should be occurring now and into early 2011,” says Rick Imhoff, senior vice president and head of SCB Wealth Management for Soy Capital Bank & Trust Company in Decatur, Ill. “Regardless of the final results, a need to modify existing estate plans and adjust income tax planning strategies is likely.”

Imhoff says most estate planning advisors thought Congress would extend 2009 estate tax rules into 2010 or even increase the size of estates that would be exempt from estate taxes. Instead, there are no estate taxes, and Congress may not take action to make any changes in rules for 2011 until after the November 2010 election.

“What will happen in 2011 is the next concern,” Imhoff stresses. “With the sunset of current estate tax laws, we are scheduled to go back to the rules when the exempt limit was \$1 million and the top tax rate was 55 percent.”

Even without an estate tax in 2010, the “step-up” in basis rules changed. Prior to January 1, 2010, a decedent's assets could be fully “stepped-up” in basis to fair market value. The executor has been allowed to increase the basis of property in a decedent's estate, but only to \$1.3 million. If property passes to a surviving spouse, an additional \$3 million has been available. A return to a full step-up in basis in 2011 is expected.

No federal estate tax has also meant no need for special use valuation, except perhaps for state estate taxes. Special valuation under Section 2032(a) essentially allows farmland to be valued as farmland. It establishes the productive value of property, and can mean significant savings in estate taxes. Imhoff notes the maximum reduction under Section 2032(a) in 2009 was \$1 million, and will be available at some level in 2011.

“Landowners also should be aware the capital gains tax rate for the 25 percent or higher income tax bracket will increase from 15 to 20 percent in 2011 and 2012. The rate in 2013 is scheduled to go to 23.8 percent for those in 36 percent and higher income tax brackets,” he says. “For those who inherit property from a decedent who died in 2010 and with no step-up in basis, unrealized gain will continue. If realized in 2011 or beyond under current laws, a larger amount will be subject to a higher capital gains tax rate.”

Expert advice is available through Soy Capital farm managers or a planning professional in the Wealth Management Group. Contact Imhoff at 217-429-8719. **MF**



Rick Imhoff

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Farmer**

John Deere

